

***PROGRAM OPPORTUNITY NOTICE
GEOTHERMAL TARGET SOLICITATION
CALIFORNIA ENERGY COMMISSION***

UP TO \$7.2 MILLION AVAILABLE FOR FUNDING GEOTHERMAL PROJECTS

The California Energy Commission is opening a new funding opportunity through its Geothermal GRDA and PIER Programs. Funding will be available through the Geothermal Resources Development Account (GRDA) and the Public Interest Energy Research (PIER) program. There will be up to \$7.2 million available to fund geothermal projects. Of these funds, up to \$3.2 million will be for GRDA grants or loans, and up to \$4 million for PIER grants. GRDA funding availability is based on estimated revenues and interest earnings coming from GRDA. Funding of projects is contingent upon the Commission receiving the projected GRDA revenues and the authority to expend those revenues for fiscal year 2004/2005.

The information in this notice will help you to decide whether to apply for funding from the Geothermal Program for this solicitation. Full details are found in the revised *Application Manual*, December 2003, which you can receive by returning the attached form, by sending a fax to (916) 653-6010, by calling (916) 654-5129, or by downloading from our web site at www.energy.ca.gov/geothermal.

Who may apply?

Private entities and local jurisdictions may apply for a GRDA or PIER funded award. Eligible private entities include individuals and organizations engaged in the exploration and development of geothermal energy for profit. Local jurisdictions include cities, counties, any unit of Indian government, school districts and special districts, including but not limited to, regional planning agencies and public utility districts, or any combination thereof formed for the joint exercise of any power. "Public utility districts" do not include any district that generates for sale more than 50 megawatts gross of electricity.

For a GRDA award, other entities, such as universities, national laboratories, state and federal agencies, and not-for-profit organizations, must participate in this program only in partnership with an eligible local jurisdiction or eligible private for-profit entity. The eligible private entity or local jurisdiction must be the applicant.

For a PIER grant, other entities such as universities, national laboratories, state, federal, and local agencies, and not-for-profit organizations may apply directly to the Energy Commission.

What projects are eligible for funding?

GRDA

Practically all aspects of geothermal research, resource development, demonstration, commercialization, planning, environmental enhancement and impact mitigation are eligible for funding. To qualify, your project must **directly** relate to geothermal development, geothermal planning, or the mitigation of the adverse impacts of the development of geothermal energy. Any private entity proposed project must provide tangible benefits, as determined by the Commission, to a local jurisdiction. **Projects must be located in California or be sponsored by a California-based company.** The Commission will not fund advertising, marketing or business plans; drilling bonds; or mitigation measures required for a permit. This program may co-fund project capital costs when justified by the applicant as necessary to advance needed science or technology.

PIER

For a PIER grant, your project must relate to geothermal research, development, and demonstration that addresses a significant California energy problem and provides a clear potential benefit to California electricity ratepayers. In particular, PIER program funds can only be used for energy research, development and demonstration projects that benefit California ratepayers and are not adequately provided for by competitive and regulated energy markets. In addition, PIER funded projects **must** also provide benefits to electricity ratepayers. Because of these requirements, the PIER program has emphasized electricity-related RD&D activities. However, RD&D efforts which benefit other types of energy users may qualify for PIER funding **if** projects **also** provide benefits to electricity ratepayers.

How much financial assistance is available?

A total of up to \$7.2 million is available for project funding through this solicitation. Of these funds, up to \$3.2 million will be for GRDA grants or loans, and up to \$4 million for PIER grants.

GRDA

For GRDA grants and loans, there are no predetermined limits on the funding that can be requested for a project. The Commission will allocate at least 25 percent of GRDA available funding to projects in each of the three project categories 1) Resource Development, 2) Planning, or 3) Mitigation.

The Commission may allocate the remaining funds to any of the three project categories. Projects shall be divided into one of the three project categories. Projects will be ranked in order within each project category. Projects shall be funded in the order of ranking beginning with rank 1. Awards are limited by the applicant's match share and by the availability of GRDA funds after higher-ranking projects have been funded. Funding of projects is contingent upon the Commission receiving the projected GRDA revenues and the authority to expend those revenues for fiscal year 2004/2005.

PIER

For PIER grants, you may request up to \$1 million for a project.

What type of funding assistance is available?

GRDA and PIER

Funding assistance is available as a grant or a loan. You must request one of the following in the pre-application and the final application: a GRDA grant, a GRDA loan, or a PIER grant. The Commission is interested in supporting higher-risk activities not readily financed by commercial lenders, but expected to produce economic and environmental benefits for California. A large percentage of the funding will likely be awarded in the form of grants.

However, if you expect your project to produce **near-term** revenues or energy cost savings, you must apply for a GRDA loan. One example would be a project that increases generating capacities of existing geothermal power plants such as waste water injection. Near-term is defined as less than three years after completion of the project that is co-funded by the Commission through this solicitation.

GRDA LOANS

For GRDA loans, the interest rate is tied to a set of market indices and depends on the term of repayment selected by the applicant. Interest rates for local jurisdictions are tied to the average of the cities and counties 12-22 year general obligations listed in the **Merrill Lynch Municipal Bond** index as reported in the *Wall Street Journal*. Interest rates for private for-profit entities are tied to the **Prime Rate** (Prime) index as reported in the *Wall Street Journal*. The interest rate for any approved project would be based on either the appropriate index and rate, or the Pooled Money Investment Account rate in effect on the day the final applications are due to the Commission (whichever is higher). The final approval use of the established indices and rates are determined at the Commission business meeting. Note: the Pooled Money Investment Account rate for the August, 2003 through October, 2003 90-day average was 1.621 percent.

Loan Interest Rate Table

Repayment Term (Years)	Interest Rate (%) for Local Jurisdictions	Interest Rate (%) for Private for-profit Entities
0-4	ML Municipal Bond minus .375	Prime Rate plus .125
5-7	ML Municipal Bond minus .125	Prime Rate plus .625
8-12	ML Municipal Bond plus .375	Prime Rate plus 1.125
13+	ML Municipal Bond plus .625	Prime Rate plus 1.625

You can select the term of repayment and corresponding interest rate most appropriate for the proposed project. The interest rate will not change during the life of the project or the repayment period. The Energy Commission will generally establish a maximum repayment term of 15 years. You must provide sufficient collateral to secure all loans.

How much will the applicant need to contribute to the project?

GRDA and PIER

A match contribution is required to participate in this Geothermal Solicitation. A match contribution is cash, equipment, and/or in-kind services provided by the applicant or other sources secured by the applicant toward completion of the awarded project. Staff time, laboratory space, equipment, and other grants, loans, or contracts can count toward the match contribution.

To qualify as a match contribution, these contributions must be 1) dedicated to the project, 2) based on documented current market values, and 3) depreciated or amortized over the project's life. If a piece of equipment is not solely dedicated to the project, the prorated value of the equipment by percentage of use for the project will count toward the match contribution. Match fund expenditures must occur within the grant or loan term.

Private For-Profit Entities must provide a match contribution of at least 50 percent of the overall project cost.

GRDA

Local jurisdictions must provide a match contribution of at least 20 percent of the overall project cost. Local jurisdictions located in a county that has received "County-of-Origin" funds from the state's GRDA in excess of \$50,000 in each of the previous three years must provide a match contribution of at least 50 percent of the total project cost.

PIER

For a PIER grant, other entities such as universities, national laboratories, state, federal, and local agencies, and not-for-profit organizations must provide a match contribution of at least 20 percent of the overall project cost.

What are the application, award, and project start dates?

The schedule for this funding cycle is as follows:

Geothermal Target Solicitation Workshop at CEC:	January 20, 2004
Pre-applications due on or before:	4:00 p.m., February 17, 2004
Written comments on pre-applications mailed:	March 22, 2004
Final applications due on or before:	4:00 p.m., April 6, 2004
Notice of Proposed Awards:	May 21, 2004 (Estimated)
Commission Approval of Awards:	June 2, 2004 (Estimated)
Begin executing Agreements:	July 1, 2004 (Estimated)

How do I get application materials?

The Commission invites you to contact us regarding this solicitation and the Geothermal Program. If you have access to the Internet, you may visit the Commission's web site at **www.energy.ca.gov/geothermal**. **At this web site you can learn more about this program and you will also be able to download the *Application Manual*, December 2003, and its attachments for this solicitation in a form that will allow you to complete the application on your computer.**

If you would like an *Application Manual* mailed to you, please complete the following form and mail or fax it to the indicated address.

Geothermal Program *Application Manual* Request Form

Yes! Send me a copy of the *Application Manual*, December 2003

Name

Title

Company or Organization

Street Address

City (do not abbreviate)

State

Zip Code

Telephone Number (include area code)

Fax Number (include area code)

E-Mail Address

Mail or fax to: **Geothermal Program
California Energy Commission
Research and Development Office
1516 Ninth Street, MS-43
Sacramento, CA 95814-5512**

Phone: (916) 654-5129

Fax: (916) 653-6010